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The Place of Farm Accounting in Extension

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UNITED STATES DEPARTMENT OF AGRICULTURE

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THE PLACE OF FARM ACCOUNTING IN EXTENSION*

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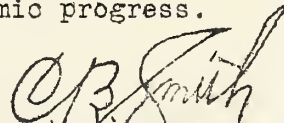
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FOREWORD

Recently the Office of Cooperative Extension Work issued a paper on farm-management extension programs by Doctor Hart of New York. Herewith is issued a paper on "The Place of Farm Accounting in Extension," by C. R. Arnold of Ohio. Both of these papers were presented before the American Farm Economic Association meeting, recently held in Cleveland, Ohio.

From the beginning of our extension work we have felt the need of farmers knowing more about the facts of their business as a basis for improvement. We have also felt that every county agent should have 30 to 50 farm records kept and analyzed each year to show farmers the opportunities in better farm management, as well as for use in keeping programs in line with local conditions and facts. It has been found in some States that farmers increase their earnings from \$1,000 to \$2,000 a year by keeping accurate accounts.

Mr. Arnold's paper shows not only the significant place farm accounting has in the Ohio extension program but also points out the usefulness of farm-account records in farm-management studies and agricultural outlook work. We hope that State directors, farm-management and marketing specialists, as well as county agents, will read this paper carefully and confer over its suggestions. It is our thought that, if we pool our economic experiences in extension, we shall accelerate our economic progress.


C. B. Smith,
Chief.

*A paper presented at the twenty-first annual meeting of the American Farm Economic Association, Cleveland, Ohio, December 29, 1930.

DISTRIBUTION: A copy of this circular has been sent to each State and assistant State extension director, county agent, specialist in farm management, and in marketing, agricultural college library, and experiment station library.

Probably no other single phase of extension work in the agricultural economics field has received as much emphasis in the past as farm accounting. With the first efforts in agricultural extension, the importance of this work became apparent, and leaders in the field recognized that the relationship of different projects to the organization of the entire farm business was one of the most important considerations in any program of agricultural improvement. During the last generation, farming in our leading agricultural sections had changed from a largely self-sufficing industry where the activity of the family had been directed chiefly toward supplying material for the household and preparing land for future production, to a strictly business enterprise. Farmers then began to produce those things which could be sold most advantageously and to depend upon other industries for the supplies which were necessary for the farm business and the household. With this change came the questions of what crops to produce, how much of each, numbers of livestock, amount of machinery, labor distribution, and other complicated problems of farm organization. Any effort of agricultural extension work toward the improvement of methods in one specific enterprise was not complete without a consideration of this problem of the entire farm business.

The most logical means of studying the farm business appeared to be through some kind of farm records, and although many changes have been made in methods of securing these records, no other more desirable means of studying this phase of the farmers' problem ever has been developed. During the first few years of agricultural extension work, farm-organization studies were based largely on figures procured through farm-management surveys. These survey records served their purpose well at that time but lacked many of the most essential characteristics which are now causing the advancement of farm-accounting work. Immediately after the organization of farm-management extension work in a few States, effort was directed toward the development of farm-accounting work where farmers would keep a farm business record on their own individual farms. Because of the amount of effort required by a farmer in this work, and on account of the lack of previous knowledge or experience along this line, progress was slow. However, during the last few years the farm-accounting project has advanced quite rapidly and is now showing growth in almost every State. Last year more than a thousand farm-account records were summarized in several of the leading agricultural States, with more than double this number in the State of Illinois alone. Although there are slight variations in methods, answers to a questionnaire sent to different States indicate that practically the same objectives and uses of farm-accounting projects are employed in all States.

One of the objectives of farm-accounting work, but by no means the only one, is the assistance which it offers to the individual farmer. A complete analysis of the farm business gives an invaluable assistance in planning the operations for future years. A knowledge of the strong and weak points of his business, together with a comparison of his efficiency factors with other successful farms, enables a farmer to pick out definitely the factors which influenced his income. Not only is he able to find these "leaks" in his farm business, but, also, through a summary of these records learn what practices proved to be more successful on other farms. Farm-management extension workers come in contact

with numerous cases where individual farmers have made desirable changes and increased their own incomes as a result of the analysis of their own farm-account records. In Franklin County, Ohio, five farmers completed farm-account records in 1922, and these five men alone attended the summarizing school at the end of that year where they summarized and analyzed their records. These same five farmers have kept accounts continuously since that time and their incomes during the last few years have averaged nearly three times as much as during the first years.

In another county a letter was sent to some of the men who had been keeping farm-account records for several years asking the question, "What changes have you made in your farm business which have been the direct result of your farm-account analysis?" Every man to whom the letter was sent replied. One man stated: "Through the farm-record analysis I found that my livestock operations were losing money, especially a breeding herd of Shorthorn cattle. These have been replaced by a small herd of registered Jerseys which have proved more profitable in this section. I increased my breeding herd and fed out more pigs. Four years ago I received 68 cents for each dollar's worth of feed fed, but last year received \$2.18."

Another man stated, "The farm-record analysis showed that my overhead was too heavy. I had too many horses and too much machinery for the amount of crops I was raising. I am now raising more crops, but through better organization have been able to reduce my hired labor expense about \$200. Being able to compare our record with others helps to locate the profitable and unprofitable practices. The better records set a standard which has a cash value that is hard to estimate. I found that my farm was run more smoothly when my work was planned ahead in a businesslike way, and a larger business done with less hired labor expense. Farm records also helped me to realize how much I was making on the farm as compared with other business and that the old farm is not so bad."

Numerous examples of the benefits which individual farmers have obtained through farm accounts can be found in any State where the work has been in progress for any length of time, but this is so generally accepted that it needs no further discussion at this time.

There is another very definite place of farm accounting in the extension program, other than the assistance to the individual farmer, which is sometimes not realized by those not in direct contact with the work. This is the basis for the county extension program and the assistance to other projects being carried on in the county. The need for more desirable information upon which to build our county extension programs has long been realized. Too often our county extension programs and the amount of emphasis placed on different projects during a certain year have been influenced by the price of some particular commodity at that time or by the desires of a few or even one individual. Figures on enrollment in boys' and girls' club work in Ohio show a rather noticeable tendency for pig-club enrollment to increase following a year of high hog prices and to decrease when hog prices are low. Of course the main objective in this case is not monetary gain but it does show the tendency for extension activities to be influenced by temporary factors.

Where a group of farm-accounting records have been kept and a group summary made for the county or district over a period of years, a more definite basis for selecting the enterprise or practice which needs emphasis is available. An analysis of this type shows the sources of income, the type of farming, and the general organization of the most successful farms in that county.

Changing economic conditions cause a constant change in the most desirable type of farming in many communities. Good roads, together with improvements in refrigeration and transportation methods, are causing a very definite shift in the whole milk-producing area of Ohio. These improvements are allowing farmers in the feed-surplus area of northwestern Ohio to offer very keen competition to the producers in northeastern Ohio who previously depended upon their proximity to the large consuming centers to offset the high feed costs. Improved machinery adapted to certain regions but not to others is having the same influence so that the most desirable type of farming for any locality may be constantly changing. The facts shown in a farm-account summary of a group of from 30 to 50 farm-account records give the best possible guide regarding the advisability of such changes. An analysis of the organization and practices followed by the most successful men gives a basis for the action of other men. This is not overlooking the fact that one very rarely finds a farm which excels in all the different efficiency factors. There is plenty of opportunity for improvement in the organization of even the most efficient farms by changing one enterprise. The farm-account analysis offers more opportunity to the individual than any other type of study of the farm business.

Answers to a question recently sent to several county agents regarding the value of the farm-accounting project in their counties showed conclusively that value to the individual farmer was considered as only a small part of the total value to the extension work in the county. One answer stated, "Results of the farm-accounting analysis several years ago showed the importance of livestock instead of grain farming in this county. The results of these summaries have been the basis for our livestock extension programs for the last four years."

Another agent reported, "It is easy to talk about balanced rations, quality of livestock, good crop yields, and soil improvement, but it is hard to get any action unless we have specific information upon which to base our discussions and definite proof that such practices are profitable. Although the most direct benefit from the farm-accounting program in our county comes to the record keepers themselves, we use it in our extension program as a guide in all extension activities. I believe I can conscientiously say that I use the results of our farm-accounting work as an aid in every extension project in this county."

Another agent stated, "The 'service' to individual farmers is only a small part of the value of the farm-account work in this county, although this together with the spread to neighbors would justify the efforts. Our county farm-account summary is discussed thoroughly each year with our county executive committee as a basis for our county program. It is also discussed with our township leaders and used to support all projects. These reports over the last eight years have given a definite indication of the importance which should be given to different projects. The results of the 1929 account records in this county were the chief

reasons for the greater emphasis which we have placed on certain phases of the livestock efficiency program this year."

It is generally agreed that the extent to which the results of the farm-accounting project are used as a basis for extension programs or as an aid to other projects depends very largely upon the interest of the county agent, but in the final analysis I believe this rests upon the farm-management specialist. There is danger of becoming so absorbed in the collection of records and tabulation of results that the importance of keeping farmers and county agents familiar with the results and the methods employed in securing them is neglected.

Maintaining and increasing the interest of county extension agents in farm-accounting work depends upon giving them usable information which they need to strengthen their programs of work. Farm accounting does not find new practices, but it gives facts and figures on farms in the same county which are of great assistance in securing action. Proof that certain things are advisable is sometimes easy but changes in practices are important rather than the knowledge alone. County workers in Ohio who have made the most efficient use of farm-accounting material in its application to other projects are the ones who have actually assisted in summarizing the records and preparing the group reports. Many agents have had little farm-management training except that which has been received in their work, and a knowledge of the principles of farm organization and the interrelationship of different farm enterprises in the farm organization scheme are of great assistance to them in analyzing farmers' problems. Not everyone who has a good return from chickens or cows should increase the number which he keeps, as very much will depend upon the effect of such a change upon the rest of the farm business. There is some danger of commodity specialists overlooking this fact, and an understanding of the effect of advocated practices on the results of the entire farm business by the county agent is important. Farm-account records act as a balance wheel to the thinking of many of the leading individuals of the community. These individuals are often cooperators or even leaders in other projects and an understanding of these principles by them is essential. The action of a community is often greatly influenced by the ideas of one or a very few individuals. Straight thinking by the community leaders is one of the greatest assets to the county agents' work and to the entire extension program.

During the last four or five years a very rapid development has taken place in extension work along the line of economic and outlook information. There is danger that farmers or even extension workers may be misled by outlook information unless it is closely correlated with farm-organization and farm-management facts. Suggested changes in production, based on the outlook for a specific commodity, must be interpreted in the light of good farm-management practices for that particular community and I know of no better way to learn these practices and have proof of them than through farm-accounting work. During the last six years 983 economic-situation meetings on some specific commodity have been held in Ohio at which economic background information and factors affecting price changes as well as the situation and outlook for this commodity have been discussed. We feel that this work is only supplementary to good farm-organization practices. Correlation with the summarized results of several thousand

farm-account records which have been kept in various parts of the State has been one of the most valuable parts of the outlook program in this State. The farm-accounting and farm-management program has been strengthened by the economic information which has been made available. Also the uses and application of the outlook information have been quite dependent upon the farm-organization information available through farm-account records and summaries. In counties where the farm-accounting project has been most successful the most effective outlook work has been done. In Darke County, Ohio, about 250 farm-account records have been summarized during the past four years. This section is in the heart of the Miami Valley cigar-tobacco district. However, most of the tobacco is produced as part of a general farm organization and not on specialized farms. Acreage of this crop varies greatly from year to year, depending largely on the price received during the last year or two. Rather definite and quite extreme cycles in the production and price of this type of tobacco have been experienced in the past. Since this type of tobacco is produced in only two other areas, and since at least a year intervenes between its production and its entrance into trade channels, a rather definite outlook can be obtained. A comparison of account records on tobacco farms with others in that county must give particular attention to the position in the tobacco price cycle and the outlook. Also any information on the tobacco situation or outlook must pay particular attention to the relationship of this enterprise to the rest of the farm business. If the acreage is reduced some other part of the business must bear the overhead expense of the special equipment and buildings. In a county such as this with both outlook and farm-organization information available a more definite application of these projects is possible.

Another important place of farm accounting in extension is the assistance which it offers to other commodity specialists. The analysis of farm-account records often shows the particular practice which should be emphasized by other subject-matter specialists as well as the extent to which they should go in advocating a certain project in light of the effect on the entire farm business. Farm-account records in two counties in the fine-wool section of southeastern Ohio over a 5-year period showed the value of keeping breeding flocks and raising a large number of lambs per 100 sheep instead of the still common practice of keeping wether flocks for wool only. The animal-husbandry specialist working in that section has developed a project on this practice and much of the information used by him and by the county agents in developing this program has come from those farm-account records.

Less than a year ago a poultry specialist of the extension service came into my office and described a specialized poultry farm in western Ohio which was in trouble. He said that he could not see why this man did not make a profit as he did everything that the poultry department advocated. He was a good feeder, culled his flock, and received a good average egg production per hen, but his records at the end of the year showed a loss. The specialist stated, "If this man who does everything we advocate can't make money out of chickens we must be all wrong in encouraging people to keep poultry." An analysis of the records showed that this farm started the poultry year with 8,000 birds in the laying flock and with the buildings, equipment, and labor quite fully utilized. However, as soon as the production in certain houses declined the theory that it does not pay to keep an unprofitable bird was followed and the flock rigidly culled. As a result

of this policy at the end of four months the equipment, buildings, and labor capable of handling 8,000 birds was being borne by less than 4,000 and by the end of six months each bird was being charged with overhead expenses which had been borne by three birds at the beginning of the year. The difficulty in this case could be traced to a lack of the general farm-organization point of view and lack of knowledge of the extent to which one specific practice could be carried without affecting the income from the entire business.

Only during the last few years have there been sufficient farm records in most States to furnish county extension agents and other specialists with this type of information. The use which will be made of this material will depend largely upon how far the farm-accounting studies go in proving that certain practices are profitable. Each year a larger number of farm-management and economic information meetings in Ohio are being held in cooperation with specialists in other subject-matter. A combined hog-outlook and swine-sanitation meeting is an example. In these meetings the farm-management specialist has presented the hog situation and outlook and this has been correlated with the farm-organization program through the use of figures from actual farm records in that locality. The swine specialist follows, and invariably begins with the farm-account figures showing the relation between pigs per sow, or some other factor, and farm income.

I believe it is now time for us to cease attempting to separate our lines of work in extension but to exert our efforts toward bringing them together. The broader phases of the farm-accounting project, especially its uses in the county extension program and as an aid in developing the projects of other specialists, are just beginning to be utilized. No other method of obtaining figures or analyzing the farm-management problems carries the local proof, the local interest, and the local confidence which are found in the results of farm-accounting work. Since these features are absolutely essential in the uses of farm-accounting material in the development of other projects, I feel that farm-accounting has an extremely important place in future extension work.



